

IN THE  
**United States Circuit Court of Appeals**

FOR THE NINTH CIRCUIT

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UNIVERSAL PICTURES COMPANY, INC., a Delaware Corporation and CLYDE BRUCKMAN,

Appellants,

v.

HAROLD LLOYD CORPORATION, a California corporation,

Appellee.

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HAROLD LLOYD CORPORATION, a California corporation,

Appellant,

v.

UNIVERSAL PICTURES COMPANY, INC., a Delaware Corporation and CLYDE BRUCKMAN,

Appellees.

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**REPLY BRIEF FOR APPELLANT AND CROSS-APPELLEE  
UNIVERSAL PICTURES COMPANY, INC.**

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## REPLY BRIEF FOR APPELLANT AND CROSS-APPELLEE UNIVERSAL PICTURES COMPANY, INC.

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### I.

**The alleged infringing material comprises only six "gags" or pieces of "stage business".**

In its brief (p. 3) plaintiff cites the finding (Finding VII, Tr. p. 34) that defendants copied "fifty or more consecutive scenes". One of the specifications of error in the brief of defendant Universal is (p. 41) "The District Court erred in finding" (Finding VII, Tr. p. 34) "that the alleged similarity in the material consisted of more than six 'gags' or pieces of 'stage business'; that the entire magician's coat comedy routine in defendant's picture represented more than 6 minutes and 1 second of the running time of 63 minutes and 21 seconds of defendant's

picture". There is no evidence in the transcript to support this erroneous finding. The evidence established that there was a similarity in only six "gags" or pieces of "stage business" (Deft. Universal's Brief, pp. 5, 6). Plaintiff stipulated, that the entire magician's coat comedy routine in defendant's picture (including both the alleged infringing material and all additional original material) represented only 6 minutes and 1 second of the running time, of 63 minutes and 21 seconds of defendant's picture (Tr. p. 385).

## II.

**The court properly excluded the evidence of the transaction involving the motion picture "The Milky Way."**

The Court excluded plaintiff's offer of proof, as to the alleged consideration paid by Samuel Goldwyn to Paramount Pictures, Inc. for rights to its motion picture "The Milky Way". This offer was excluded, upon the ground that this motion picture was not comparable to plaintiff's motion picture "Movie Crazy" (Tr. pp. 377, 378). The Court's ruling is supported by the following:

(1) While Lloyd first testified that the "re-make" rights to one of his pictures "The Milky Way" had been sold (Tr. p. 136), he later admitted that the picture "doesn't belong to me" (Tr. p. 354) and that it had only been acquired from Paramount as "a guide" for another picture, and not for "re-make" (Tr. p. 368).

(2) Lloyd testified that the sale of re-make rights to any old motion picture was not a "common practice in the industry" (Tr. p. 369).

(3) Plaintiff's experts Lloyd (Tr. pp. 363, 364) and Botsford (Tr. pp. 469, 470) confirmed the testimony of defendant's expert Hirleman (Tr. pp. 434, 437-440, 448) that such old pictures as had been sold for re-make, were all based upon famous novels or stage plays, as distinguished from plaintiff's picture "Movie Crazy" containing a story and situation

comedy material, specially written for the personality of a particular comedian, and that in the entire history of the industry no old picture of the latter type had ever been re-made. In this connection, Lloyd testified that "The Milky Way" had not been written for him, but was based upon a stage play (adapted from a novel) which had a long run at the Cort Theatre in New York City (Tr. pp. 369-371), and that the only picture of the other type (written for a particular comedian) which in his opinion might be successfully re-made, was Chaplin's picture "The Gold Rush" (Tr. p. 364). Accordingly, any amount received by Paramount for rights to its picture "The Milky Way" (based upon both a novel and stage play) would supply no basis for comparison, or computation of the profits that plaintiff or some other producer might realize, if they ever should re-issue or re-make plaintiff's picture (written for a particular comedian) (See cases cited, Deft. Universal's Brief, pp. 53-61).

### III.

**Plaintiff's argument that there need be no factual basis for the court's award of damages in any arbitrary sum, is untenable.**

In support of this argument, plaintiff cites *Sinclair Refining Co. v. Jenkins*, 289 U. S. 689 (53 Sup. Ct. 736, 77 Law Ed. 1449) and *Palmer v. Connecticut Ry. Co.*, 311 U. S. 544 (61 Sup. Ct. 379, 85 Law Ed. 336), both of which decisions are misinterpreted by plaintiff.

In the *Sinclair* case the action was to recover damages for the breach of a contract to assign a patent. The court held that the damages could not be arrived at by conjecture, and that the proper measure of damages could only be determined in such a case by ascertaining the use to which the patented article had been put and the benefits that accrued from such use, and thereby put the buyer in as good a position as though the seller had performed,

the Court saying (pp. 697, 698):

“The use that has been made of the patented device is a legitimate aid to the appraisal of the value of the patent at the time of the breach.

\* \* \* Experience is then available to correct uncertain prophecy. Here is a book of wisdom that courts may not neglect. We find no rule of law that sets a clasp upon its pages, and forbids us to look within.”

In the later case of *U. S. v. Safety Car Heating Co.*, 297 U. S. 88, 98 (56 Sup. Ct. 353, 80 Law Ed. 500), Mr. Justice Cardozo, who wrote the unanimous opinion of the Court in the *Sinclair* case, explained the purport of the decision in that case:

“In the second place, a claim for damages like one for an infringer’s profits is too contingent and uncertain to have a determinable market value when the validity of the patent is unsettled and contested and the factors making up the damage are arrived at by conjecture. *Sinclair Refining Co. v. Jenkins Petroleum Co.*, 289 U. S. 689, 697.”

The implication of the decision has likewise been stated in the following cases:

*Horvath v. McCord Radiator & Mfg. Co.*, 100 Fed. (2d) 326, 336 (Cert. den. 308 U. S. 581, 60 Sup. Ct. 101, 84 Law Ed. 486) (Cir. Ct., 6th Cir.):

“Expert testimony to be of value must yield to or agree with actual experience of the patentee and other users of the patented device and the damage allowed to Horvath must find its premise in the use to which his machine has been put and the benefits ensuing to its users. *Sinclair Refining Company v. Jenkins Petroleum Process Co.*, *supra*.”

*Guggenheim v. Helvering*, 117 Fed. (2d) 469, 473 (cert. den. 314 U. S. 621, 62 Sup. Ct. 66, 86 Law Ed. 499) (Cir. Ct., 2d Cir.):

“In *Sinclair Refining Co. v. Jenkins Petroleum Process*, *supra*, the court was passing upon the dam-

ages suffered by a promisee from the breach of a contract to assign a patent, and held that it was proper to look to what the seller had earned by exploiting it after the breach. There the test was that amount which would put the buyer in as good position as though the seller had performed, and the best way to learn that would have been to wait and see what the patent actually brought in."

In the *Palmer* case, the action was by a lessor to recover damages for the rejection of a long term lease. The Court applied the settled rule of law, that past earnings of an established business give a reasonable basis for determining future earnings for a limited period, saying (pp. 556, 557, 559-562) (Appen. p. i).

In its prior decision in the same case, *Connecticut Ry. Co. v. Palmer*, 305 U. S. 493, 505 (59 Sup. Ct. 316, 83 Law. Ed. 309) the Court had said to the same effect:

"It is well understood that such evidence must show damages to reasonable certainty. Mere 'plausible anticipation' does not merit consideration nor are flights into the realm of pure speculation entitled to be treated as evidence. The determination of the amount to be allowed as the damage will be based on evidence which satisfies the mind."

In its later decision in *Union Pacific Railroad Co. v. United States*, 313 U. S. 450, 474 (61 Sup. Ct. 1064, 85 Law. Ed. 1453), the Court said as to the purport of its decision in the *Palmer* case:

"When enough evidence is offered to justify a conclusion based upon judgment and not guesswork, the requirements of the judicial process are met. Cf. *Palmer v. Connecticut Ry. & Lighting Co.*, 311 U. S. 544, 559, and cases cited."

In *Red Jacket Oil & Gas Co. v. United Fuel Gas Co.*, 146 Fed. (2d) 645, 649, 650 (Cir. Ct., 4th Cir.), the Court in citing and following the *Palmer* case, said to the same effect:



"It is our considered view that Jacket's case falls down here from a failure to produce adequate evidence to prove, with that reasonable certainty which the law requires, the existence, the nature and the extent of the damages which it here claims to have suffered. Jacket has in truth introduced a vast mass of evidence. This is not lacking in quantity; it is lacking in quality. In all the chaff, there is little wheat. \* \* \* And, under these circumstances, those answers cannot be left to pure conjecture, to mere speculation or to unfounded hypothesis.

\* \* \* \* \*

See, also, *Palmer v. Connecticut Railway & Lighting Co.*, 311 U. S. 544, 560-562, 61 S. Ct. 379, 85 L. Ed. 336. In the American Law Institute's Restatement of the Law of Contracts, Vol. 1, § 331, it is said: 'Damages are recoverable for losses caused and other gains prevented by the breach, only to the extent that the *evidence affords a sufficient basis for estimating their amount in money with reasonable certainty.*' (Italics ours.) See, also, 15 Amer. Jur. 'Damages' § 20, p. 410; 78 A. L. R. 858."

The required objective of plaintiff's proof was not the present value of the rights to plaintiff's picture, but what damage it has suffered by the alleged infringement.

*Palmer v. Connecticut Ry. Co.*, *supra* (cited by pltf. p. 19), at page 557:

"The final objective of the proof is not how much the remainder is worth now but what damages the lessor has suffered."

The only testimony adduced by plaintiff as to its alleged damage was "I would say it has been destroyed" (Lloyd, Tr. pp. 104, 105), "I think it lost 90 per cent of its value" (Bentel, Tr. p. 203), "I wouldn't think it would be very good for re-issue or re-make now" (Botsford, Tr. p. 18). The Court held that it could not accept plaintiff's estimation of its damage, that it was not impressed with the claim that the value of its picture was destroyed, and "I feel that

that picture still has and will continue to have certain value after a lapse of a reasonable length of time" (Tr. p. 522). So that the only question is, what if any damage plaintiff has suffered. There can be no possible basis of support for any estimation of such damage, to a picture that has been out of circulation since 1935, and concededly is the type of picture that has never been and never could be revived. Lloyd testified that he felt he was damaged because if the picture ever was revived "they would probably class me as an imitator and they would be tired of seeing the scenes" (Tr. p. 150). But that does not establish damage. Can it be said that any given number of people, or even one single person, would not see the picture because these six "gags" or pieces of "stage business" had been previously used in another picture? How could anyone, upon the basis of reason or experience, estimate such lessened attendance, if the picture ever was revived? Even in the case of a new and untried business, possibly the experience in a similar business might afford some guide, no matter how uncertain. Yet the Courts have never sanctioned an award of damage in such a case, upon the ground that it was mere conjecture and guesswork. In this case there was no evidence of even a parallel situation.

The Court awarded damages in the arbitrary sum of \$40,000 upon the erroneous assumption that "the general rule of damages is that somebody picks something out of the thin air \* \* \*" (Tr. p. 244). "I realize that counsel argues that is a speculative question \* \* \*. It is the same thing as a personal injury case. \* \* \* They reach out and pick some figure out of the sky and that is the damages and that is all there is to it" (Tr. p. 480).

Plaintiff proceeds upon the same assumption, that it is not a matter of actual fact proof, but of picking a figure "out of the thin air." Thus (p. 31) "That amount, as we have previously indicated, should, in our opinion, be *at least* \$250,000," as though all it amounts to is to select any figure with sufficient naughts. In fact, plaintiff finds fault (pp. 29-31) that the Court added only one naught too many, in awarding \$40,000 instead of \$4,000 (20% of the profits of \$20,517.28).

## IV.

**Plaintiff having stipulated as to the amount of the profits of defendant's picture, there is no support for its argument, that as both the damages and profits are difficult of ascertainment plaintiff should be awarded statutory damages.**

The record is devoid of any factual evidence to support the Court's award of *actual* damages in the sum of \$40,000. Plaintiff being unable to cite any authority to support such an award, concedes that its damages are "difficult of ascertainment" and then argues that it is entitled to statutory damages, saying (p. 43) "Where Damages as Well as Profits Are Difficult of Ascertainment the Court Should Award Statutory Damages in Such Sum as Shall Appear to be Just—" In this connection plaintiff contends (pp. 16, 17) that as the evidence established the number of theatres in which defendant's picture played, the Court can take judicial notice of the number of performances, and award statutory damages:

"It is plaintiff's contention that general damages might properly be found by a court predicated upon evidence of the nature and value of plaintiff's property; the scope and extent of its misappropriation, and proof of the number of infringing performances in theatres in which the plaintiff's property has been used without its consent. (See *United States Frumentum Co. v. Lauhoff*, 6th C. C. A., 216 Fed. 610, \* \* \*")

The difficulty with plaintiff's position is, that it stipulated upon the trial that the profits of defendant's picture were \$20,517.28 (Tr. pp. 474-477, Deft's. Ex. I).

Sec. 25 (b) Copyrights, 17 U. S. C. (Act of March 4, 1909, Ch. 320, 35 Stat. 1081; Aug. 24, 1912, Ch. 356, 376 Stat. 489) provides in part, that the infringer shall be liable:

"To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, \* \* \* or in lieu of actual damages and profits such damages



as to the court shall appear to be just, and in assessing such damages the court may, in its discretion, allow the amounts as hereinafter stated \* \* \*."

In *Westermann Company v. Dispatch Printing Company*, 249 U. S. 100, 106 (39 Sup. Ct. 194, 63 Law Ed. 499), the Court said as to the above quoted provision:

"The fact that these damages are to be 'in lieu of actual damages' shows that something other than actual damages is intended—that another measure is to be applied in making the assessment."

Thus, under the Copyright Statute the Court can only award statutory damages, in the absence of proof of "*actual damages and profits*."

Sec. 70, Patents, 35 U. S. C. (Revised Statutes, Sec. 4921; March 3, 1897, Ch. 391, Sec. 6, 29 Stat. 894; Feb. 18, 1922, Ch. 58, Sec. 8, 42 Stat. 392) provides to the same effect: (Appen., p. ii).

Thus, under the Patent Statute, the Court can only award such statutory damages or so-called "general damages" (referred to as the "reasonable royalty rule") when the actual damages "are not susceptible of calculation and determination with *reasonable certainty*."

The "in lieu" clause of Sec. 25 (b) Copyrights is a substitute for the "general damage" or "reasonable royalty rule" under Sec. 70 Patents.

*Widenski v. Shapiro, Bernstein & Co., Inc.*, 147 Fed. (2d) 909, 911 (Cir. Ct. 1st Cir.): (Appen., p. ii).

When plaintiff speaks of "general damages" in citing *United States Frumentum Co. v. Lauhoff, supra* (patent infringement), he has reference to the statement of the Court, that in the absence of proof of actual damages or sales, plaintiff could recover what (p. 617) "is frequently spoken of as a 'reasonable royalty'; and this phrase is a convenient means of naming this particular kind of damage. It may also be well called 'general damage'; \* \* \*."

Accordingly, the "general damage" referred to in that case, are the statutory damages which can only be awarded in a patent case, when neither damages nor profits can be calculated with reasonable certainty (Sec. 70 Patents).

**A. The application of the "reasonable royalty" rule is now governed by Sec. 70 Patents, and is only applicable when neither damages nor profits can be calculated with reasonable certainty.**

*Egry Register Co. v. Standard Register Co.*, 23 Fed. (2d) 438, 442 (Cir. Ct., 6th Cir.) citing *U. S. Frumentum Co. v. Lauhoff*, *supra*:

"The plaintiff having suffered a plain injury, and not having been able to make satisfactory proof of damages, and not being entitled to all the defendant's profits, and not being able to make an intelligent apportionment, we find here a clear instance of that class of cases discussed in *U. S. Frumentum Co. v. Lauhoff* (C. C. A.) 216 F. 610, 615, where the award of a reasonable royalty is the only solution of the difficulty. \* \* \* Much of the doubt formerly existing as to when a case was fit for the application of this measure of damage is removed by the Act of February 18, 1922, § 8, embodied in U. S. Code, tit. 35, § 70; \* \* \*."

*Wallace & Tiernan Co. v. City of Syracuse*, 45 Fed. (2d) 693, 694, 695 (Cir. Ct., 2d Cir.), citing *United States Frumentum Co. v. Lauhoff*, *supra*:

"It is conceded that the defendant got no profits from using the patented invention, so that the case is one for damages only. Section 70 of title 35, U. S. Code (35 U. S. C. A. § 70), provides that if the plaintiff in a suit for infringement has suffered damage, 'but that such damages \* \* \* are not susceptible of calculation and determination with reasonable certainty,' the court may resort to a reasonable royalty. Before it was enacted, the rule had not been different (*Hunt, etc., Co. v. Cassiday*, 64 F. 585 [C. C. A. 9]; *Munger v. Perlman Rim Corp.*, 275 F. 21 [C. C. A. 2]; *U. S. Frumentum Co. v. Lauhoff*, 216 F. 610, 616 [C. C. A. 6]; *Jones v. Sykes Metal Lath Co.*, 254 F. 91 [C. C. A. 6]); \* \* \* it does not clearly appear whether the plaintiff's putative profits were comput-

able. Be that as it may, there can be no doubt since the passage of the statute that it is necessary to show this before a reasonable royalty can be awarded."

*Collins v. Hupp Motor Car Corporation*, 22 Fed. (2d) 27, 31 (Cir. Ct., 6th Cir.), citing *U. S. Frumentum Co. v. Lauhoff*, *supra*:

"The award was on the basis of a 'reasonable royalty,' it appearing that, while plaintiffs had been damaged by, and defendant had profited from, the infringement, the amount of neither profit nor damages could be calculated with reasonable certainty. No established uniform rate of royalty had been adopted or used. The resort to reasonable royalty was eminently proper. *Dowagiac Co. v. Minnesota Co.*, 235 U. S. 641, 648, 35 S. Ct. 221, 59 L. Ed. 398; *U. S. Frumentum Co. v. Lauhoff* (C. C. A. 6) 216 F. 610; *Clark v. Schieble* (C. C. A. 6) 248 F. 276; *K-W Ignition Co. v. Temco Co.* (C. C. A. 6) 283 F. 873, 877."

*Krentler-Arnold Hinge Last Co. v. Leman*, 24 Fed. (2d) 423, 424, 425, citing *U. S. Frumentum Co. v. Lauhoff*, *supra*: (Appen. p. iii).

To the same effect:

*Standard Brands, Inc. v. Federal Yeast Corporation*, 38 Fed. (2d) 314, 322;

*Widenski v. Shapiro, Bernstein & Co., Inc.*, 147 Fed. (2d) 909, 911 (Cir. Ct. 1st Cir.);

*Enterprise Mfg. Co. v. Shakespeare Co.*, 141 Fed. (2d) 916, 919, 920 (Cir. Ct., 6th Cir.).

**B. Like under the patent statute, statutory damages can only be awarded under Sec. 25 Copyrights, in a case where the rules of law render difficult or impossible proof of actual damages or discovery of profits.**

In its brief (p. 5) plaintiff cites the decision of this Court in *Turner & Dahnken v. Crowley*, 252 Fed. 749, as holding to the contrary. Such is not the fact. This Court said (p. 754) "the discretion of the court may be used to award damages where no proof of actual damage is offered".

Thus in *Davilla v. Brunswick-Balke Collender Co. of New York*, 94 Fed. (2d) 567, 570, cert. den. 304 U. S. 572, 58 Sup. Ct. 1040, 82 Law Ed. 1536 (Cir. Ct., 2d Cir.) the Court cited the decision of this Court in *Turner & Dahnken v. Crowley*, *supra*, as authority for the point:

“Since the amount of the sales was sufficiently proved, there was no basis for an award of statutory damages. Such an award should not be based upon the idea of punishment, but depends upon the absence of proof of actual profits and damages. *Turner & Dahnken v. Crowley*, 9 Cir., 252 F. 749, 754; *Westermann Co. v. Dispatch Printing Co.*, 249 U. S. 100, 39 S. Ct. 194, 63 L. Ed. 499.”

It is the now established rule of law.

*Douglas v. Cunningham*, 294 U. S. 207, 209 (55 Sup. Ct. 365, 79 Law Ed. 862):

“The phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and to give the owner of a copy-right some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.”

*Sheldon v. Metro-Goldwyn Corp.*, 309 U. S. 390, 399 (60 Sup. Ct. 681, 84 Law Ed. 825):

“We agree with petitioner that the ‘in lieu’ clause is not applicable here, as the profits have been proved and the only question is as to their apportionment.”

*Washingtonian Pub. Co., Inc. v. Pearson, et al.*, 140 Fed. (2d) 465, 466 (Cir. Ct., Dist. of Col.):

“Since the ‘in lieu’ clause is not intended as a penalty, the court was right in awarding no damages. That clause ‘was adopted \* \* \* to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.’ It is not applicable here, first because there was no ‘injury done’ to appellant and second because ‘the

profits have been proved \* \* \*,’’ citing *Douglas et al v. Cunningham, et al.*, 294 U. S. 207, 209; *L. A. Westermann Co. v. Dispatch Printing Co.*, 249 U. S. 100, 108; *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 399; *Davilla v. Brunswick-Balke Collender Co.*, 94 Fed. (2d) 567.

To the same effect:

*Jewell-LaSalle Realty Company v. Buck*, 283 U. S. 202, 206 (51 Sup. Ct. 407, 75 Law Ed. 978);

*Sammons v. Colonial Press, Inc.*, 126 Fed. (2d) 341, 350 (Cir. Ct., 1st Cir.).

## V.

**If damages are proven and the profits ascertained, the statute does not permit recovery of both, but gives the plaintiff his choice i. e., the profits plus any damages in excess thereof.**

The Court said in *Sheldon v. Metro-Goldwyn Corp.*, *supra* (pp. 400, 401): (Appen. p. iv).

Plaintiff argues (p. 41) that the *Sheldon* case cannot be considered as having determined that a plaintiff was only entitled to recover damages or profits, “whichever was the greater”, because its decision was “predicated solely upon a House Committee Report \* \* \* which was incidentally referred to by the Court”. Plaintiff further argues that the Report only had reference to decisions up to 1909.

If it can possibly be said that there is any such doubt, this doubt was definitely removed in the later case of *Mishawaka Mfg. Co. v. Kresge Co.*, 316 U. S. 203, 208 (62 Sup. Ct. 1022, 86 Law Ed. 1381):

“If the petitioner suffered damages beyond the loss of profits the decree should provide for the assessment of such damages.”

This is the settled rule of law.

*Goodyear Tire & Rubber Co. v. Overman Cushion Tire*



Co., 95 Fed. (2d) 978, 983 (Cir. Ct., 6th Cir.):

“The statute does not allow recovery of profits plus damages, but gives the patentee his choice or what is, in substance, the same, the profits plus any damages in excess thereof. Rev. Stat. § 4921 as amended, 35 U. S. C. A. § 70; *Birdsall v. Coolidge*, 1876, 93 U. S. 64, 69, 23 L. Ed. 802; *Tilghman v. Proctor*, 1888, 125 U. S. 136, 148, 8 S. Ct. 894, 31 L. Ed. 664; *Baseball Display Co. v. Star Ballplayer Co.*, 3 Cir., 1929, 35 F. 2d 1; *Krentler-Arnold Hinge Last Co. v. Leman*, D. C. Mass., 1928, 24 F. 2d 423; *Expanded Metal Co. v. General Fireproofing Co.*, D. C. N. D. Ohio, 1917, 247 F. 899. Only in *Dowagiac Mfg. Co. v. Deere & Webber Co.*, 8 Cir., 1922, 284 F. 331, were both profits and the lesser damages allowed.”

(Thus the Court in the *Goodyear* case points out, that *Dowagiac Mfg. Co. v. Deere & Webber Co.*, 284 Fed. 331 (upon which plaintiff relies, p. 41) is the only case to the contrary, and has never been followed.)

*Underwood Typewriter Co. v. E. C. Stearns & Co.*, 227 Fed. 74, 82 (Cir. Ct., 2d Cir.):

“Indeed, the fact that no profits were made may make it less difficult to assess the damages, as the law does not permit a duplication in damages of what has been received in the shape of profits. *Yesbera v. Hardesty Manufacturing Co.*, supra.”

This rule of law was tersely enunciated by this Court in *Riverside Heights Orange Growers' Ass'n. v. Stebler*, 240 Fed. 703, 715 (Cir. Ct., 9th Cir.): (Appen. p. iv).

This Court held to the same effect in *Pedersen v. Dundon*, 220 Fed. 309, 312 (Cir. Ct., 9th Cir.) and later in *New England Fibre Blanket Co. v. Portland Telegram*, 61 Fed. (2d) 648, 650 (cert. den. 289 U. S. 752, 53 Sup. Ct. 696, 77 Law Ed. 1497) (Cir. Ct., 9th Cir.).

It has been the settled law prior to and since 1909.

*Birdsall v. Coolidge*, 93 U. S. 64, 69 (23 Law Ed. 802);

- Root v. Railway Co.*, 105 U. S. 189, 212 (26 Law Ed. 975);  
*Tilghman v. Proctor*, 125 U. S. 136, 148, 149 (8 Sup. Ct. 894, 31 Law Ed. 664);  
*Simpson v. Davis*, 22 Fed. 444, 445;  
*Hammacher v. Wilson*, 32 Fed. 796, 797;  
*Beach v. Hatch*, 153 Fed. 763, 764;  
*Yesbera v. Hardesty Mfg. Co.*, 166 Fed. 120, 127, 128 (cert. den. 214 U. S. 513, 29 Sup. Ct. 696, 53 Law Ed. 1063);  
*Peerless Brick Mach. Co. v. Miracle Pressed Stone Co.*, 181 Fed. 526, 530 (1910);  
*Metallic Rubber Tire Co. v. Hartford Rubber Works Co.*, 245 Fed. 860, 866, 867 (1917) (cert. den. 257 U. S. 650, 42 Sup. Ct. 57, 66 Law Ed. 416);  
*Expanded Metal Co. v. General Fireproofing Co.*, 247 Fed. 899, 901, 902 (1917);  
*Baseball Display Co., Inc. v. Star Ballplayer Company, Inc.*, 35 Fed. (2d) 1, 3 (Cir. Ct., 3rd Cir., 1929);  
*Swan Carburetor Co. v. Nash Motors Co.*, 133 Fed. (2d) 562, 563 (Cir. Ct., 4th Cir., 1943, cert. den. 320 U. S. 762, 64 Sup. Ct. 36, 88 Law Ed. 454).

## VI.

**Plaintiff's contention that it is impossible to apportion the profits due to the infringement is contrary to the rule of law of the *Sheldon* case.**

In *Sheldon v. Metro-Goldwyn Corp.*, *supra* (p. 408), the Court held that twenty per cent was a proper apportionment of profits for the contribution of an infringing screen play. Plaintiff, however, is not in accord:

“Mr. Fendler: Under the copyright act we do claim that we are entitled to both damages and profits, but we do not believe in view of the fact that the Copyright Act requires the profits to be ascribed to that portion of the infringing—to the infringement

that any apportionment of profits is possible.” (Tr. pp. 472, 473.)

“The Court: If there is any question about it I will listen to any testimony you care to offer. If Mr. Fendler contends he is entitled to more than 20 per cent he can put on his evidence to that effect.

Mr. Fendler: No, if your Honor please. The evidence I propose to offer is that it is impossible to apportion profits to the infringement.

The Court: Of course even in the *Sheldon* case, when you come right down to it, it was found impossible to apportion the profits, but the court in its judgment made an apportionment. You have all the elements in this case that you have in any moving picture.” (Tr. p. 474.)

Plaintiff likewise argues that there is no evidence to support the Court’s apportionment of twenty per cent. Defendant’s counsel has read the record on appeal in the case of *Stonesifer v. Twentieth Century-Fox Film Corporation*, 48 Fed. Supp. 196. There was no evidence offered in that case in support of the apportionment. The precise procedure was followed as in the instant case, of offering in evidence an itemized statement of the film’s cost (including costs of production, prints and distribution) and of the film rentals and net profit. In the instant case plaintiff likewise stipulated that the statement (Deft’s Ex. 1) correctly reflected a net profit of \$20,517.28 (Tr. p. 475). In the *Stonesifer* case the Court recognized the determination in the *Sheldon* case as a rule of law, in making an apportionment of twenty per cent, without any supporting evidence. This Court (140 Fed. (2d) 579, 583, 584) affirmed the award upon the authority of the *Sheldon* case, saying: (Appen. p. v).

Even assuming that irrespective of the ruling in the *Sheldon* case, evidence should be adduced in this case to establish the portion of the profits due to the infringement, the Court had said (at the first session of the trial) that if the question should arise, it would be sent to a master



for determination (Tr. pp. 299, 300). When the Court said to the contrary (at the later session) that it did not intend to refer such matter, defendant's counsel pointed out that by reason of this understanding it was not prepared to offer such proof, assuming that it was required (Tr. pp. 470-474). Under the circumstances, if this Court should determine that the proof is required, defendant should have the opportunity of offering such proof before a master.

## VII.

### **The recovery, if any, should be nominal.**

(1) Plaintiff's picture, which was released in 1932, had not been exhibited since 1935 (Tr. p. 190), and as the Court said "In other words, it has been on the shelf since then" (Tr. p. 70).

(2) Plaintiff's witnesses Leo and Bentel confirmed the testimony of defendant's witness Hirleman, that plaintiff's picture was dated and old-fashioned and would not be a present day box office draw (Tr. pp. 209, 221, 425).

(3) None of plaintiff's pictures had ever been re-made (Tr. pp. 136, 354). Plaintiff had never re-issued any of its pictures (Tr. p. 136). The re-issue rights had been sold to only one of its pictures, for which only \$3,500 was paid. It had no value, as not one exhibitor would take the picture because there was no demand for the re-issue or re-make rights of any old pictures of this type (Tr. pp. 354, 428-430, 460).

(4) Lloyd testified that the sale of such rights to any old pictures was not a common practice in the industry (Tr. p. 369). Plaintiff's witnesses Lloyd (Tr. pp. 363, 364) and Botsford (Tr. pp. 469, 470) confirmed the testimony of defendant's expert Hirleman (Tr. pp. 434, 437-440, 448), that no picture of this type, where the story and comedy material was specially written for the personality of a particular comedian (as distinguished from a picture based upon a famous novel or stage play) had ever been re-made. Lloyd likewise conceded that the only picture of this type

which in his opinion might be successfully re-made, was Chaplin's picture "The Gold Rush" (Tr. p. 364). This evidences that the rights to plaintiff's picture are valueless, which accounts for the fact that no such rights have ever been exercised or disposed of.

(5) The alleged infringing material comprises only six "gags" or pieces of "stage business", which had been in common use for many years prior to plaintiff's use, in other motion pictures and magician comedy routines, and was stock material (Tr. pp. 320-326, 310-313, 316, 317). Lloyd conceded that it was merely a sequence of "gags" (Tr. p. 137). Such material had always been considered common property for use in comedy routines, this being the first instance that an exclusive right had ever been asserted to this type of material (Tr. pp. 310-313, 316, 317, 330, 331, 338, 340).

(6) The same "gags" and "stage business" had been previously used by plaintiff in another picture, and deleted because of over-footage (Tr. p. 73). The Court said that "it was no part of the general theme", was merely "cut into the picture" for comedy accretion (Tr. pp. 142, 143), and was "a part of the whole that could be lifted out" without affecting the picture (Tr. pp. 139, 141).

(7) The same "gags" or "stage business" had been previously used by Columbia in its picture (which had been generally released throughout the United States and continued to be exhibited to the time of trial), without plaintiff's authorization or objection, upon the like assumption that it was common property, the Columbia picture having been exhibited in more theatres than defendant's picture (Tr. pp. 61, 90, 154, 390, 391, 397). The Court held that the Columbia picture unquestionably affected plaintiff's recovery against this defendant (Tr. p. 521).

(8) Defendant established that it was not aware that it was infringing and that such alleged infringement could not have been reasonably foreseen (Tr. pp. 235-238, 310-313, 316, 317, 321-326, 330-332, 335-340). Although defendant's picture had been generally released and ex-

hibited throughout the United States since December 3, 1943 (Tr. p. 384), of which plaintiff concededly had knowledge (Tr. pp. 152, 153), plaintiff deliberately withheld notice of its alleged claim until March 20, 1934 (Tr. pp. 385, 386) after the picture had virtually had its run. This evidences that plaintiff had no desire to protect the alleged value of its picture, and was only interested in establishing a basis for a financial recovery. It was stipulated that the exhibition of defendant's picture was stopped immediately upon receipt of the notice (Tr. pp. 385-387), so that no question of defendant's good faith can be imputed.

As was said in the leading case of *Fred Fisher, Inc. v. Dillingham*, 298 Fed. 145, 152 (Dist. Ct., S. D. N. Y., L. Hand, D. J.):

"As for damages, it seems to me absurd to suggest that it has suffered any injury. 'Dardanella' had faded out before 'Kalua' appeared; but, if it had been at the peak of its popularity, I do not believe that the accompaniment to the chorus of 'Kalua' would have subtracted one copy or one record from its sales. The controversy is 'a trivial pothor' (Hough, J., dissentiente in *Jewelers', etc., Co. v. Keystone Pub. Co.* (C. C. A.) 281 Fed. 83, 95), a mere point of honor, of scarcely more than irritation, involving no substantial interest. \* \* \*

\* \* \* The plaintiff is likewise absolutely entitled to a full bill of costs, but I will make no allowance for counsel fees, since that is discretionary. Such victories I may properly enough make a luxury to the winner."

To the same effect:

*Insurance Press v. Ford Motor Co.*, 255 Fed. 896, 897 (Cir. Ct., 2d Cir.):

"I feel reasonably sure that the complainant has suffered a very small amount of damages, and that the defendant has secured a very trifling advantage by

the publication of the article in the automobile trade, and under the circumstances, shall award the sum of \$250 to the complainant, in addition to costs and a counsel fee of \$100.”

### CONCLUSION

See Conclusion (p. 78) Defendant Universal's Opening Brief.

Respectfully submitted,

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## APPENDIX

### Argument III

(P. 5) *Palmer v. Connecticut Ry. Co.*, 311 U. S. 544, 556, 557, 559-562 (61 Sup. Ct. 379, 85 Law Ed. 336):

“The petitioner contends, however, that evidence of rental value for a 40-year period, no matter how certain it may be, is inadequate to enable a court to establish the damages for the entire 969 remaining years. Its argument is that one cannot be sure the truncated portion will not show sufficient gain to absorb all losses. Since certain proof for distant years cannot be produced, this objection leaves the lessor to qualified opinion evidence as to annual rental value, discounted for the term to show present damage. \* \* \* While such evidence is admissible for consideration in forming a judgment upon damages, it has little, if any, probative force beyond the immediate years. Certainly such opinion evidence alone cannot be permitted to fix rental value for purposes of damages in the indefinite future. The final objective of the proof is not how much the remainder is worth now but what damages the lessor has suffered.

\* \* \*

All that can be done is to place before the court such facts and circumstances as are available to enable an estimate to be made based upon judgment and not guesswork. \* \* \*

The proof of future profits by the evidence of past profits in an established business gives a reasonable basis for a conclusion. \* \* \* Nothing is more indicative of their value for lease or sale of the fee than past earnings. \* \* \* Evidence of value would be made up of the items of proof. One of the most important of these, in the case of property such as here involved, would be past earnings.

This Court has sustained recoveries for future profits over four years based solely upon evidence of the profits of an established business for the past four years.

\* \* \*

Certainty in the fact of damage is essential. Certainty as to the amount goes no further than to require a basis for a reasoned conclusion. \* \* \*



Satisfactory evidence was presented for the three years of actual operation of the properties covered by this lease. We think that prior earnings of the same property over fourteen years was a fair base to use to project the estimate of the earnings for the eight years of future operation.”

### Argument IV

(P. 9) Sec. 70, Patents, 35 U. S. C. (Revised Statutes, Sec. 4921; March 3, 1897, Ch. 391, Sec. 6, 29 Stat. 894; Feb. 18, 1922, Ch. 58, Sec. 8, 42 Stat. 392):

“upon a decree being rendered ‘in any such case for an infringement the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction. If on the proofs it shall appear that the complainant has suffered damage from the infringement or that the defendant has realized profits therefrom to which the complainant is justly entitled, but that such damages or profits are not susceptible of calculation and determination with reasonable certainty, the court may, on evidence tending to establish the same, in its discretion, receive opinion or expert testimony, which is hereby declared to be competent and admissible, subject to the general rules of evidence applicable to this character of testimony; and upon such evidence and all other evidence in the record the court may adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement.”

(P. 9) *Widenski v. Shapiro, Bernstein & Co., Inc.*, 147 Fed. (2d) 909, 911:

“It is indicated in the case last cited and established in *Enterprise Mfg. Co. v. Shakespeare Co.*, 6 Cir., 141 F. 2d 916, 919, and the cases cited therein, that proof of either established or reasonable royal-

ties may be resorted to in patent cases only when the patentee is unable to make satisfactory proof of his actual damage and the actual profits of the infringer. That is to say, a plaintiff in a patent case, if he prevails on the issue of infringement, may recover upon the basis of an established or reasonable royalty only after he has failed to prove satisfactorily his own loss and the infringer's profits. Thus the royalty rule provides successful plaintiffs in patent suits who have been harmed but cannot prove either their actual damages or the defendant's actual profits with a means to escape the hollow victory of an award of purely nominal damages. But the Copyright Act itself makes provision for similarly situated plaintiffs in copyright cases in the 'in lieu' clause of § 25(b), a provision not found in the corresponding section of the Patent Law, (35 U. S. C. A. § 70), and from this we conclude that it is a substitute for the established or reasonable royalty rule applied in patent cases."

(P. 11) *Krentler-Arnold Hinge Last Co. v. Leman*, 24 Fed. (2d) 423, 424, 425:

"The profits of the Krentler Company were proved. There were no facts from which damages could be proved, and the master resorted to the reasonable royalty rule. In this respect he was in error. The rule of law allowing damages to be assessed under the guise of a reasonable royalty arose in cases where the evidence showed that damage had been sustained, but there were no sufficient facts from which to ascertain actual damages.

The leading case on the subject is *United States Fruitmentum Co. v. Lauhoff*, 216 F. 610, in which Judge Denison in 1914 in a learned and able opinion delivered the decision of the Circuit Court of Appeals for the Sixth Circuit. The judge characterizes this kind of proof as the determination of 'general damages.' 216 F. at page 617.

The material part of the statute governing the case at bar (section 70 of title 35 of the U. S. Code [35 USCA § 70; Comp. St. § 9467]) is as follows:

(Quoting Statute)

\* \* \* It will be noticed that in the last line of the excerpt above printed the words 'general damages' are used. This seems to indicate that the parliamentary draftsman had Judge Denison's opinion in mind.

By the terms of the statute general damages can be awarded only when neither profits nor damages can be proved."

## Argument V

(P. 13) *Sheldon v. Metro-Goldwyn Corp.*, 309 U. S. 390, 400, 401 (60 Sup. Ct. 681, 84 Law Ed. 825):

"In passing the Copyright Act, the apparent intention of Congress was to assimilate the remedy with respect to the recovery of profits to that already recognized in patent cases. Not only is there no suggestion that Congress intended that the award of profits should be governed by a different principle in copyright cases but the contrary is clearly indicated by the committee reports on the bill. As to § 25 (b) the House Committee said:

'Section 25 deals with the matter of civil remedies for infringement of a copyright . . . The provision that the copyright proprietor may have such damages as well as the profits which the infringer shall have made is substantially the same provision found in section 4921 of the Revised Statutes relating to remedies for the infringement of patents. The courts have usually construed that to mean that the owner of the patent might have one or the other, whichever was the greater. As such a provision was found both in the trade-mark and patent laws, the committee felt that it might be properly included in the copyright laws.' "

(P. 14) *Riverside Heights Orange Growers' Ass'n. v. Stebler*, 240 Fed. 703, 715:

"Mr. Justice Matthews, delivering the opinion in *Root v. Railway Company*, 105 U. S. 189, 213, 26 L. Ed. 975, and referring to this section of the Revised Statutes, states that:

'Under the act of Congress of 1870, he [the patentee] may recover damages in addition to the profits to be accounted for by the defendant; but, as the re-



covery is limited by the act to the *actual* damages, it is manifest that the recovery of damages and profits is not intended to be *double*, but that, when necessary, the damages are to supplement that loss of the complainant which the profits found to have been received are insufficient to compensate, subject to the power of the court as to their increase, as in case of verdicts.'

That the additional damages are to compensate patentee only for such loss as he may have sustained in excess of the infringer's gains and profits is stated in clear and unambiguous terms in the opinion in *Tilghman v. Proctor*, 125 U. S. 136, 149, 8 Sup. Ct. 894, 901 (31 L. Ed. 664), \* \* \*

\* \* \*

The foregoing requires a decree in favor of plaintiff for such sum as will fully compensate him for all losses occasioned by defendants' infringement (such losses exceeding the amount of defendants' profits).''

## Argument VI

(P. 16) *Stonesifer v. Twentieth Century-Fox Film Corporation*, 140 Fed. (2d) 579, 583, 584:

"The record reveals that considerable trial time in the court below was consumed in the determination of the film's approximate total cost. It appears that this, including costs of production, prints and distribution, amounted to \$842,400, and that the film rentals amounted to \$862,200, or a net profit of \$19,800. From this the trial court assessed damages for the infringement of \$3,960, or one-fifth of the net profits.

It is now settled that where a portion of the profits of an infringing work is attributable to the appropriated work, to avoid an unjust course by giving the originator all profits where the infringer's labor and artistry have also to an extent contributed to the ultimate result, there may be a reasonable approximation and apportionment by the court of the profits derived therefrom. *Sheldon et al. v. Metro-Goldwyn Pictures Corporation et al.*, 2 Cir., 106 F. 2d 45, affirmed 309 U. S. 390, 60 S. Ct. 681, 84 L. Ed. 825. See, also *Sammons, et al. v. Colonial Press, Inc., et al.*, 1 Cir., 126 F. 2d 341. We find no reason to disturb the award of damages."

